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BIWEEKLY REPORT

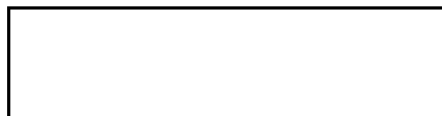
SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR-1/38

22 July 1957

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



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These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

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Summary of Events
5 - 18 July 1957

The Indonesian Parliament began consideration early in July of the Indonesian - Soviet Economic and Technical Aid Agreement involving a loan of \$100 million to be used for the purchase of capital goods and for technical assistance from the USSR. Other significant aspects of the Sino-Soviet Bloc effort to expand economic relations with the underdeveloped countries of the Free World during the period 5-18 July 1957 included: (1) a Soviet offer to Iran to improve Iranian ports on the Caspian Sea, (2) a Yugoslav attempt to obtain deliveries for projects which the USSR had postponed earlier in 1957, and (3) the signing by Iceland of a contract to purchase 12 fishing vessels from East Germany.

The Indonesian - Soviet agreement, signed in September 1956, had been approved by the Indonesian cabinet in May but was not submitted to Parliament for debate until early in July. It is anticipated that the agreement will be ratified by the Parliament. No definite projects have been approved, however, and the Foreign Minister has stated that no negotiations for military equipment are to be considered under the terms of the loan.

The terms of the Soviet offer to improve Iranian ports on the Caspian Sea are as yet vague, and the Iranian government has expressed no opinions concerning the proposal. In other Bloc activities in the Middle East, Egypt has signed contracts with East German firms for the construction of an electrical network and 5 power stations, and with Poland for the delivery of 4 ships. Tunisia and the USSR have agreed on the terms of a barter agreement involving the exchange of almost \$4 million in commodities. A survey of Syrian cotton trade indicates that exports of cotton have shifted decidedly away from West European countries and toward Bloc nations. More than two-thirds of the cotton exports of Syria during April and May went to the Sino-Soviet Bloc.

In Europe, a Yugoslav delegation left for Moscow on 15 July to attempt to secure deliveries for several Soviet projects under credits granted in

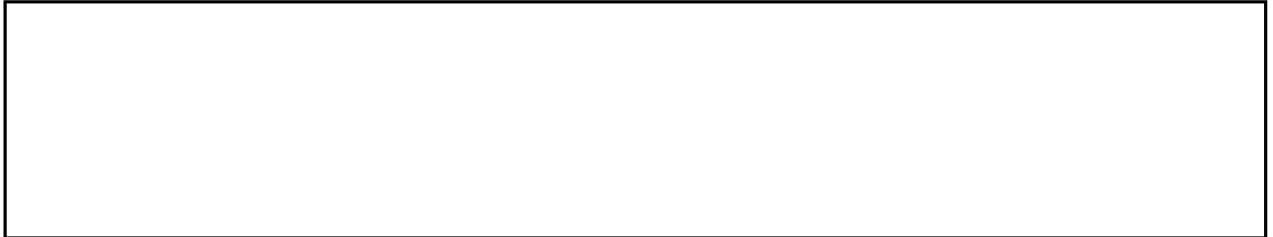
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1956. About 80 percent of the 1956 credits extended to Yugoslavia by the Soviet Bloc have not yet been obligated or drawn.

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In South Asia, Ceylon has agreed to accept commodities in lieu of sterling payments from Communist China in an effort to reduce the Chinese debt of about \$17 million. The debt was accrued under the 1956 contract of the 5-year rice-rubber agreement signed in 1952. Agreement by the Ceylonese to accept commodities reflects their desire to sign a new long-term rice-rubber agreement with the Communist Chinese.

Other items of interest include the signing, by a Spanish financial institution, of an agreement with the Polish National Bank for the annual exchange of \$10 million in commodities in each direction between the two nations, and the signing of a contract by Czechoslovakia for the construction of a fruit cannery valued at \$450,000 in Afghanistan.

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